

Exhibit D

Part 1 of 2

SOLUTIA INC. SAVINGS AND INVESTMENT PLAN

Effective September 1, 1997

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The information in this booklet is provided to Solutia union employees and certain union inactive participants who are eligible for this plan and is your Summary Plan Description. This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933. It covers Solutia Inc. common stock and related Preferred Share Purchase Rights offered through the Solutia Inc. Savings and Investment Plan.

Because you are able to invest your Regular SIP and RIDA contributions in Solutia common stock, Securities and Exchange Commission regulations require that this prospectus be provided to you. If you have any questions about the plan or its administrators, call the Benefits Line at 1-888-726-8616 between 8 a.m. and 8 p.m. (Central time), Monday through Friday and speak to a Benefits Center Representative. You may write to the Solutia Benefits Center at 100 Half Day Road, Lincolnshire, Illinois 60069-1459.

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SAVINGS AND INVESTMENT PLAN

Overview

Your Savings and Investment Plan (SIP) is an opportunity to participate in a personal savings program to which your employer also contributes. The following description of SIP applies to employees at the Queeny, Krummrich, Carondelet, Anniston, Indian Orchard and Trenton plants who are covered by a collective bargaining agreement and to employees of Flexsys America L.P. at the Nitro plant who were formerly employed by Monsanto and who were covered by a collective bargaining agreement. A separate summary has been prepared for all other participants.

At the end of this description is a "Practical Guide" which shows a summary of the deadlines for requesting various SIP transactions. One important note about the deadlines: If a deadline (or cut-off date) falls on a weekend or a Solutia Benefits Center holiday:

- ▶ and you need to talk with a Benefits Center Representative to process your transaction, the cut-off date is the prior business day,
- ▶ or if your transaction can be processed through the touch-tone phone system, the cut-off date does not change — except when it's a Sunday, and then it will be the Saturday before.

In connection with the spinoff of Solutia from Monsanto, the account balances of all Solutia active employees and certain former Monsanto employees were transferred from the Monsanto Savings and Investment Plan ("Monsanto SIP") to the Solutia Inc. Savings and Investment Plan. Account balances that were transferred were automatically invested in the same funds that they were invested in under the Monsanto SIP immediately prior to the transfer. All of your other elections (e.g., contribution rates) and any outstanding loan balances were also carried over.

Under SIP, you have two options for contributing. The first is called RIDA (Retirement Income Deferral Account). The second is called Regular SIP.

Your total contributions can range between 1-1/2% and 15% of your base pay (subject to annual RIDA limits, the Contribution Comparison Rule and the Section 415 Limit [see pages 4-5]). They can be all to Regular SIP, all to RIDA, or to both.

Whether you contribute to Regular SIP, RIDA or both, your contributions (up to and including the first 7% of your base pay) are increased by contributions from your employer beginning as of the first pay period of the month after you complete one year of service (see page 3). For every dollar you contribute — up to and including the first 7% of your base pay — your employer makes a matching contribution of 60¢. This matching contribution is automatically invested in Solutia common stock. You will become fully vested in this employer match when you have completed five years of Vesting Service. You will begin to receive Vesting Service on your first day at work. (If you became an employee of Solutia on September 1, 1997, your Vesting Service includes Vesting Service accrued under the Monsanto SIP as of August 31, 1997.) See page 11.

You contribute to RIDA on a "before-tax" basis. What you contribute to RIDA is not subject to current federal income tax, or in most states, to current state income tax, but is subject to FICA tax. RIDA distributions will only be made when you retire, terminate, become totally and permanently disabled, die or become eligible for a Five/10 Payout after age 59-1/2. You will pay taxes on your RIDA contributions and earnings on those contributions when distributed.

You contribute to Regular SIP on an "after-tax" basis. The amounts you contribute are subject to current federal and state income tax, and FICA tax. As an active employee, you can withdraw money from Regular SIP. Whenever you receive Regular SIP money, you will not have to pay taxes on your Regular SIP contributions, but you will pay taxes on the earnings.

With RIDA, you have four investment choices: Fixed Income, Balanced, Equity and Employer (Solutia) Stock.

With Regular SIP, you have five choices: Fixed Income, Balanced, Equity, Employer (Solutia) Stock or Series "EE" U.S. Savings Bonds.

In addition, you may have contributions made prior to September 1, 1997 invested in the Non-Employer (Monsanto) Stock Fund.

Investment choices are made in multiples of 10%. You make your choices separately for

SAVINGS AND INVESTMENT PLAN**Overview** (cont'd)

Regular SIP and RIDA, so you can invest your Regular SIP contributions one way, your RIDA contributions another.

There are five ways you can get money out of SIP: withdrawals, loans, Five/10 Payouts, final distributions at or after termination or retirement, and installment payments at or after retirement. If you retire or terminate employment, you can defer receiving distribution of your accounts.

You have many choices under SIP to fit your personal situation. But keep in mind SIP's central

purposes: to provide a personal savings program and to supplement your retirement income. For example, if you put \$100 a month into the current SIP program beginning as of the first of the month after your date of hire and your contributions are increased by contributions from your employer beginning on the first of the month after you complete one year of service (see page 3), and you make no loans or withdrawals, here's how your account will grow:

<u>Years Participation</u>	<u>Your Contributions</u>	<u>Company Contributions</u>	TOTAL ACCOUNT VALUE		
			Hypothetical Annual Growth Rates		
			<u>6%</u>	<u>8%</u>	<u>10%</u>
1	\$ 1,200	\$ 0	\$ 1,233	\$ 1,245	\$ 1,257
2	2,400	720	3,283	3,340	3,397
5	6,000	2,880	10,222	10,728	11,266
10	12,000	6,480	24,951	27,740	30,927
15	18,000	10,080	44,820	53,084	63,275
20	24,000	13,680	71,618	90,845	116,497

Your annual growth rate will depend on the actual growth rate of the funds in which you elect to invest. For information on the past performance of the funds, see page 9.

SAVINGS AND INVESTMENT PLAN

Who Can Participate

New Hires And Current Employees

You are eligible to join SIP and begin making Regular SIP and/or RIDA contributions as of the first day of the month following the date you are hired as a regular full-time or regular part-time employee of a participating Solutia business unit or another participating organization. Company Match contributions will automatically begin as of the first pay period of the month following your first anniversary of employment provided that you complete at least 1,000 hours of service during your first year. If you do not complete 1,000 hours of service during your first year, Company Match contributions will not begin until the first pay period of the month following your employment anniversary date when you had at least 1,000 hours of service during the preceding 12 months

(sometimes referred to as one year of service). See page 11 for a definition of hour of service.

Rehires

A SIP participant who terminates employment and is re-employed by Solutia or a participating organization as a regular full-time or regular part-time employee is eligible to rejoin SIP on the date he/she is re-employed and will begin receiving the Company Match provided he/she had previously completed one year of service.

Employees Not Eligible To Participate

Individuals employed by a business unit or organization which has not adopted SIP will not be able to participate in SIP.

How to Enroll

To join SIP, complete the SIP Telephone Enrollment Worksheet (included in your SIP enrollment kit) and then call the Benefits Line at **1-888-726-8616**. When you call the Benefits Line, you will be prompted to:

- ▶ indicate the percentage of your base pay (in 1/2% increments) that you wish to contribute to RIDA, Regular SIP or both;
- ▶ make your investment elections; and
- ▶ select a savings bond denomination if you elect to purchase Series "EE" U.S. Savings Bonds (if you want to designate a co-owner or beneficiary for your Savings Bonds, you will need to speak with a Benefits Center Representative).

If you call the Benefits Line by 3 p.m. Central time on the 10th day of the month, your election will be effective as of the first pay period of the following month. If you call the Benefits Line after the 10th day of a month, your election will be effective as of the first pay period of the second

following month. By enrolling through the Benefits Line, you are authorizing your employer to deduct your contributions from your pay. The amount you elect to save is automatically taken from your pay-check beginning the first pay period of the month in which participation begins.

When you enroll in SIP, you also need to designate a beneficiary. Complete the "Beneficiary Designation" form included in your SIP enrollment kit and return it by U.S. mail to the Benefits Center. If you are married, you must designate your spouse as your beneficiary unless he or she agrees in writing to your designating someone else and that written consent is witnessed by a Notary Public. (You can change your beneficiary with your spouse's written consent, but it's important for you to realize that, in order to be effective, the form indicating the latest beneficiary needs to be filed with the Benefits Center — not kept in a drawer at home.)

If your account balance under the Monsanto SIP was transferred to SIP as of September 1, 1997, your contribution rate election, investment election and beneficiary designation were carried over.

SAVINGS AND INVESTMENT PLAN

How the Plan Works

SECTION I: Putting Money Into SIP

Generally, there are three questions you'll have to answer as you put money into SIP:

1. *WHAT PERCENTAGE OF BASE PAY DO YOU WANT TO CONTRIBUTE?*
2. *DO YOU WANT YOUR CONTRIBUTIONS TO BE MADE AS REGULAR SIP, RIDA, OR BOTH?*
3. *DO YOU WANT TO INVEST YOUR CONTRIBUTIONS IN FIXED, BALANCED, EQUITY, SOLUTIA STOCK OR SAVINGS BONDS?*

1. *WHAT PERCENTAGE OF BASE PAY DO YOU WANT TO CONTRIBUTE?*

You can elect to contribute from 1-1/2% of your base pay up to a maximum of 15% of your base pay, in increments of 1/2%. (Due to IRS restrictions, your allowable maximum SIP contribution may be less than 15% of your base pay. See below.)

Base pay does not include items such as overtime pay, shift differential or gainsharing. Also, by IRS rules, base pay for purposes of SIP contributions is limited to \$160,000 in 1997 and 1998. Currently, this dollar limit is indexed and may increase in the future to reflect increases in the Consumer Price Index.

Beginning with the first pay period of the month after the date you have completed one year of service (see page 3), your contributions up to and including the first 7% of your base pay are increased by contributions from your employer. For every dollar you contribute, up to and including 7% of your base pay, your employer contributes 60¢. This is called the "Company Match." Contributions you make before you complete one year of service and contributions over 7% of base pay are not matched by any contribution from your employer.

Maximum Allowable Contribution Rate

Depending on your base pay, there may be restrictions on your contributions to Regular SIP, RIDA or both. **If you reach any of these restrictions, you will be notified of your status and options.** Here are the limits:

- The maximum annual RIDA contribution in 1998 is \$10,000. This limit applies to you as an individual. This dollar limit is indexed and may increase in the future to reflect increases in the Consumer Price Index. Contributions in excess of this limit will be converted to Regular SIP contributions. If there is no Regular SIP investment election on file when you have excess RIDA contributions, such converted Regular SIP contributions will automatically be invested in the Fixed Income Fund. See page 6.
- Federal law also requires that the maximum RIDA or Regular SIP contribution levels of highly compensated employees be determined by a factor based on the average contribution level of non-highly compensated employees. This is called the "Contribution Comparison Rule." In 1997, the comparison is between those who had earnings of over \$80,000 in 1996 and those who had \$80,000 or less. This earnings amount may be indexed in future years to reflect increases in the Consumer Price Index. (Earnings for this purpose are defined as W-2 earnings [which include certain moving expenses] plus any salary reductions for RIDA — and payroll reductions for benefits in excess of employer contributions, and contributions to Reimbursement Accounts.) Testing under the Contribution Comparison Rule will be performed at least annually.
- The third possible restriction is called the "415 Limit." Under the 415 Limit, the most that can be contributed to SIP by you and your employer is generally the lesser of (a) \$30,000 or (b) 25% of your W-2 compensation (limited to \$160,000 in 1997 and 1998) per calendar year.

SAVINGS AND INVESTMENT PLAN

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP *(cont'd)*

Base pay for purposes of SIP contributions is limited to \$160,000 in 1997 and 1998. If you became a Solutia employee as of September 1, 1997, your base pay for 1997 included amounts received through August 31, 1997 while employed by Monsanto. Currently, this dollar limit is indexed and may increase in the future to reflect increases in the Consumer Price Index.

In addition to the plan limits described above, there is one additional limit on your contributions to RIDA. If your contributions to RIDA plus any pre-tax 401(k) contributions you made to another employer's qualified plan exceed the maximum annual RIDA contribution limit (\$9,500 in 1997 and \$10,000 in 1998), you may elect in writing the amount of excess RIDA contributions to be distributed from SIP. Such election must be made on a form provided by the Benefits Center and must be received by the Center not later than the March 1 immediately following the end of the calendar year in which you made the excess RIDA contribution. If your election is timely filed, you will receive a distribution of your excess RIDA contributions along with any earnings (or less any losses) on such amount. Your distribution will be made on or before the April 15 immediately following your timely election. If you make excess pre-tax 401(k) contributions and do not elect a distribution of the excess, you will need to pay income tax on the excess in the year contributed **and again** in the year distributed from the plan.

2. DO YOU WANT YOUR CONTRIBUTIONS TO BE MADE AS REGULAR SIP, RIDA, OR BOTH?

You have now decided the total percentage of base pay (in 1/2% increments) you wish to contribute to SIP.

Your next step is to decide how you wish to divide that total percentage between Regular SIP and RIDA (in 1/2% increments).

RIDA and Regular SIP have different impacts on your taxable income. When you make a RIDA contribution, you are in effect reducing your current taxable income by the amount of your RIDA contribution. On the other hand, a contribution to

Regular SIP does not reduce your current taxable income, because it is an after-tax contribution. Thus, when you make a contribution to RIDA (as opposed to making the same contribution to Regular SIP), you will have lower current year taxable income and will actually pay less income tax in the year of the contribution. Remember, even though your RIDA contribution is not currently taxed, it will be taxable when distributed to you or your beneficiary unless it is properly rolled over to an IRA or another employer's qualified plan.

Before you decide between RIDA and Regular SIP, consider that while RIDA offers certain current tax advantages, there are restrictions on how and when you can access your RIDA contributions. Review the "Taking Money Out of SIP" section before deciding how much you wish to contribute to either Regular SIP or RIDA.

Neither Regular SIP contributions nor RIDA contributions impact base pay calculations for other employer-provided benefits or the amount of your wages subject to Social Security (FICA) tax.

Order Of Company Match

The "Company Match" (company contributions made on your behalf) will be made separately based on Regular SIP or RIDA, depending on how much you contribute to each. Regular SIP contributions will be matched first if you contribute to both Regular SIP and RIDA. This order of matching is important because the Company Match on RIDA cannot be distributed until you retire, terminate employment, die, become totally and permanently disabled (T&PD), or reach age 59-1/2 and take a Five/10 Payout. The Company Match on Regular SIP is much more accessible than the Company Match on RIDA.

Plan Accounts

Depending on your elections, the following accounts will be opened in your name:

- ▶ Regular SIP Contributions Account - for your Regular SIP contributions, other than those invested in Savings Bonds.
- ▶ RIDA Contributions Account - for your RIDA contributions and any direct rollover contributions (see page 10).

SAVINGS AND INVESTMENT PLAN

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP *(cont'd)*

- ▶ **Bond Purchase Account** - for any Regular SIP contributions awaiting the purchase of Savings Bonds. These bonds are delivered to you when they are purchased (see page 8).
- ▶ **Company Match Account** - for company contributions made on your behalf. This includes Company Match amounts in both the Employer and Non-Employer Stock Funds.

Amounts in all of the accounts listed above will include amounts transferred from the corresponding Monsanto SIP accounts as of September 1, 1997.

3. DO YOU WANT TO INVEST YOUR CONTRIBUTIONS IN FIXED, BALANCED, EQUITY, SOLUTIA STOCK OR SAVINGS BONDS?

You have now decided on the total percentage of base pay you wish to contribute and how you wish to divide that total percentage between Regular SIP contributions and RIDA contributions. Your third decision is how you want to invest your contributions. Your investment elections must be in 10% increments.

For your Regular SIP contributions, you will have five investment choices:

- ▶ Fixed Income Fund
- ▶ Balanced Fund
- ▶ Equity Fund
- ▶ Employer (Solutia) Stock Fund (election cannot exceed 30% of your Regular SIP contributions)
- ▶ Savings Bonds.

For your RIDA contributions, you will have four investment choices:

- ▶ Fixed Income Fund
- ▶ Balanced Fund
- ▶ Equity Fund
- ▶ Employer (Solutia) Stock Fund (election cannot exceed 30% of your RIDA contributions).

You can invest your Regular SIP contributions one way, your RIDA contributions another. Contributions — whether to Regular SIP or RIDA — go into the same Fixed Income, Balanced, Equity or Employer Stock Fund. In other words, there are no separate investment funds for Regular SIP and RIDA.

If there is no investment election on file, your Regular SIP and RIDA contributions are automatically invested in the Fixed Income Fund.

In addition to the investment choices listed above, you may have contributions that were made prior to September 1, 1997 invested in the Non-Employer (Monsanto) Stock Fund. No future contributions may be invested in the Non-Employer Stock Fund and no past contributions can be transferred into the fund.

COMPANY CONTRIBUTIONS

The Company Match on Regular SIP and RIDA contributions made on or after September 1, 1997, will automatically be invested in the Employer Stock Fund. Company Match contributions that were transferred from the Monsanto SIP were initially invested in the Employer Stock Fund and the Non-Employer Stock Fund.

INVESTMENT CHOICES

The following is a brief description of each of the investment choices available to you under SIP.

- ▶ **Fixed Income Fund** — This fund is designed for low risk of loss of capital and current income. Permissible investments for this fund include investment contracts issued by insurance companies and/or banks under which the issuer is responsible, subject to specified conditions, for repayment of principal (and, in some cases, principal and interest). Currently, this fund is invested in cash investments and in investment contracts backed by the following insurance companies: Prudential Insurance Company of America, Metropolitan Life Insurance Companies, Commonwealth Life Insurance Company, Pacific Life Insurance Company, and American International Group. While these investment contracts are not guaranteed, by the government or otherwise, against failure of the insurance

SAVINGS AND INVESTMENT PLAN

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP *(cont'd)*

companies, the company's current selection criteria require each of the insurance companies to have a Moody's rating of A or better. The earnings rate credited to your account is based on the composite rate of the various contracts. This fund may also invest in fixed income securities such as, but not limited to, mortgage-backed securities and government and high grade corporate securities. Solutia makes administrative fee-related payments up to 0.01% in connection with the investment contracts in which this fund is invested that results in a higher rate of return to participants under these investment contracts.

- **Balanced Fund** — This fund invests in both fixed income and equity securities. A professional investment management firm directs the investment allocation of the fund balance between fixed income and equity securities. The objective of the fund is to achieve a higher overall rate of return than is available from the Fixed Income Fund but have less risk than the Equity Fund. Prior to December 1, 1997, all contributions to the Balanced Fund will be invested in the Dodge & Cox Balanced Fund, which is managed by the investment advisory firm of Dodge & Cox. Effective as of December 1, 1997, all contributions to the Balanced Fund will be invested in a separate account managed by Dodge & Cox. The value of the fund depends on the value of the fund's fixed income and equity securities, and as such, the value of your Balanced Fund account will rise and fall as the value of stocks and bonds in the fund changes. There is a potential for gain and loss and no guarantee of repayment of principal. Dodge & Cox's policy is that no more than 75% of the current fund will be invested in common stocks. Individual securities are selected with an emphasis on financial strength and long-term profit potential. The fund's objectives are capital appreciation in favorable periods and conservation of principal in adverse times, but given the risks inherent in the financial markets, no assurance can be given that the fund will achieve its objective. The fees and expenses incurred in the management of the Dodge & Cox Balanced Fund are charged to the fund. Investment fees charged to participants in this fund prior to

December 1, 1997 are expected to equal about 0.47% of the assets in this fund. Investment fees charged to participants in this fund after December 1, 1997 are expected to equal about 0.25% of the assets in this fund.

- **Equity Fund** — This fund is designed for long-term growth of capital. Its objective is to provide capital appreciation and above-market returns through the stock selection and portfolio management expertise of a select group of diversified professional investment advisors. The managers invest primarily in common stocks or securities convertible into common stocks. Each of the five investment managers for this fund invests a portion of the fund. These five investment managers also manage investments for the pension trust. The five current investment managers and their investment strategies are: Delaware Investment Advisers – invests in high dividend yielding stocks; Equinox Capital Management – invests in stocks with low price-earnings ratios; Jennison Associates – invests in companies that demonstrate superior absolute and relative earnings growth; Lincoln Capital Management – invests in larger companies with above average earnings growth potential; and RCM Capital Management – invests in smaller companies with good growth potential. The managers were chosen to provide a balance of growth and value management styles throughout the capitalization spectrum. The value of your Equity Fund account will rise or fall as the value of the stocks and securities in the fund change.
- **Employer (Solutia) Stock Fund** — This fund invests primarily in Solutia common stock and may hold relatively small amounts in cash. You are not permitted to elect to have more than 30% of your Regular SIP contributions or more than 30% of your RIDA contributions invested in this fund. Separate accounts will be set up within this fund for your contributions and the Company Match. Your Regular SIP and RIDA contributions invested in this fund will be kept in a "Solutia Employee Stock Account." Company Match contributions invested in this fund will be kept in a "Solutia Company Match Account." The Solutia stock value in this

SAVINGS AND INVESTMENT PLAN

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP *(cont'd)*

fund may go up or down, so there is a potential for gain or loss. There is no guarantee of repayment of principal. Shares in the Solutia Employee Stock Account portion of the Employer Stock Fund are reallocated within SIP if enough shares are available from participant withdrawals and, if adequate shares are not available, from purchases on the open market. For purposes of determining gains or losses, it is assumed that shares are acquired at the fair market value on the date of purchase (shares available from participant withdrawals are assumed to be purchased on the effective date of the withdrawal). Company Match contributions may be used to release shares from the ESOP Suspense Account or to purchase shares on the open market or from within the plan (see page 42). Dividends paid on Employer stock in this fund will be used either to purchase additional shares or (in the case of dividends on the Solutia Company Match Account stock only) to release shares from the ESOP Suspense Account to be placed in your Solutia Company Match Account.

- **Savings Bonds** — You can purchase U.S. Savings Bonds (Regular SIP contributions only). Once you've saved enough to cover the bond's purchase price, it is mailed to you at month end.

► **Non-Employer Stock Fund** — This fund is invested primarily in Monsanto common stock and may hold relatively small amounts of cash. The amounts in this fund reflect amounts contributed to the Monsanto SIP prior to August 31, 1997 that were invested in Monsanto common stock and which were not converted to Solutia common stock in connection with the spinoff of Solutia. Amounts attributable to your contributions are kept in a "Monsanto Employee Stock Account." Amounts attributable to employer matching contributions are kept in a "Monsanto Company Match Account." The value of the Monsanto stock in this fund may rise or fall, so there is a potential for gain and a potential for loss. There is no guarantee of repayment of principal. Dividends paid on Monsanto stock in the Monsanto Employee Stock Account will be invested in the Solutia Employee Stock Account and dividends paid on Monsanto stock in the Monsanto Company Match Account will be invested in the Solutia Company Match Account. No future contributions may be invested in this fund and no past contributions can be transferred to this fund. Monsanto Company common stock is publicly traded and its *Wall Street Journal* symbol is "MTC."

SAVINGS AND INVESTMENT PLAN

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP *(cont'd)*

INVESTMENT FUNDS PERFORMANCE

The following chart shows what a dollar would be worth on August 31, 1997 if invested in SIP in

the past. Past performance, however, may not accurately predict future performance.

FOR PERIODS ENDING AUGUST 31, 1997						
VALUE OF \$1 INVESTED IN THE SIP INVESTMENT OPTION ¹ :						
	Number of Years Ago					
	<u>10</u>	<u>5</u>	<u>4</u>	<u>3</u>	<u>2</u>	<u>1</u>
Fixed Income Fund	\$2.50	\$1.45	\$1.33	\$1.23	\$1.14	\$1.07
Balanced Fund ²	3.24	2.15	1.77	1.67	1.42	1.28
Growth and Income Equity Fund ³	4.01	2.45	1.98	1.90	1.56	1.38
Non-Employer Stock Fund ⁴	6.52	4.83	3.83	2.96	2.49	1.45
Employer (Solutia) Stock Fund ⁵	—	—	—	—	—	—
Savings Bonds ⁶	1.67	1.25	1.19	1.14	1.10	1.05

¹ The investment results shown are the investment results from the funds in the Monsanto SIP.

² The investment results reflect the published data from the mutual fund in which participants' funds allocated to this SIP fund option were invested prior to December 1, 1997. Beginning December 1, 1997, participants accounts invested in this fund are allocated to a separate account managed by Dodge & Cox. See "Investment Choices" on page 7.

³ The investment results are a composite return of actual results earned on funds managed by the individual managers for the pension trust. (Equinox Capital Management, one investment manager, began managing funds for the Monsanto Trust on December 12, 1992. Performance data for the Russell 1000 Value Index, an index that closely matches the investment style of the manager, were used prior to December 12, 1992.) Returns for each of the managers of the fund were combined in equal proportions for return display purposes.

⁴ This fund was made available to employees beginning April 1, 1991. The values shown for earlier periods are those actually earned by an investment in Monsanto common stock. The investment results are based on results for common stock of Monsanto before the spinoff of Solutia Inc. Due to the new composition of Monsanto as a result of the spinoff of Solutia Inc., the past performance of the Non-Employer Stock Fund may not accurately predict the future performance of that fund.

⁵ This fund did not begin until September 1, 1997, so there are no historical investment results.

⁶ The source of the return data is the Department of the Treasury, Bureau of the Public Debt, *Tables of Redemption Values for the United States Savings Bonds Series EE*.

SAVINGS AND INVESTMENT PLAN

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP *(cont'd)*

DEPARTMENT OF LABOR 404(c) REGULATIONS

The "Pension and Savings Funds Committee" is the "Named Fiduciary" under the plan with the authority to manage and control the assets of the trust. Portions of the plan are intended to comply with Section 404(c) of ERISA. The fiduciaries of

the plan may be relieved of liability for any losses which are the direct and necessary result of investment instructions given by a participant or beneficiary.

IN SUMMARY

Generally there are three questions you'll have to answer as you put money into SIP:

<u>Question</u>	<u>Choices</u>
1. What percentage of base pay do you want to contribute?	From 1-1/2% to 15% (in 1/2% increments) subject to the limitations described above.
2. How do you want your contributions to be made?	As Regular SIP, as RIDA, or a combination (in 1/2% increments).
3. How do you want your contributions invested?	Fixed Income, Balanced, Equity, Solutia Stock and (for Regular SIP only) Savings Bonds (each in 10% increments).

DIRECT ROLLOVERS TO SIP

Active participants may elect to directly roll over eligible taxable lump sum payouts or partial distributions from qualified pension and defined contribution plans from previous employers (other than the company, its subsidiaries and affiliates) into SIP. Rollovers from IRAs will not be accepted, nor will installment or annuity distributions over a period exceeding the lesser of 10 years or your life expectancy; minimum required distributions at or after age 70-1/2; or shares of stock, bonds, other securities or other non-cash items.

In order to make a direct rollover, you will need to call the Benefits Line and request an "Application for Direct Rollover." After completing this form, submit it to the Benefits Center along with the following documentation:

- ▶ a check issued by the prior plan and made payable to "Solutia Inc. Savings & Investment Plan FBO (for the benefit of) (participant's name)";
- ▶ a distribution statement or IRS Form 1099-R from the prior plan itemizing the amount of the distribution and the taxable portion; and

- ▶ a copy of the prior plan's IRS determination letter or other proof that the prior plan was qualified under Section 401(a) of the Internal Revenue Code.

Direct rollover amounts will be treated as RIDA contributions and will be subject to RIDA rules, including those relating to loans, distributions and investment transfers. Company Match contributions will not be made on direct rollover amounts.

Direct rollover checks received by the Benefits Center will be approved after complete documentation is received and will be deposited into a temporary money market account. The rollover amount will earn a money market rate of interest beginning on the next business day after deposit. If the direct rollover check is received by the Benefits Center by the 25th of the month and approved by the end of the month, the earnings from the money market account, as well as the rollover amount, will be transferred into your RIDA account, and invested according to your investment election, on the last business day of the month.

SAVINGS AND INVESTMENT PLAN**How the Plan Works** (cont'd)**SECTION I: Putting Money Into SIP** (cont'd)**QUARTERLY STATEMENTS**

You will receive a personalized statement four times a year to report your March 31, June 30, September 30 and December 31 balances. Your personalized statement will show the amount in your accounts by investment fund as of the beginning and end of the quarter and the amount of increases and decreases, including loans, loan repayments and withdrawals, if any, in your accounts during the quarter.

VESTING RIGHTS

"Vesting" is used to determine the percentage of your Company Match Account you will receive if you terminate employment. You are always 100% vested in the current value of your contributions (Regular SIP and RIDA) and earnings on those contributions.

You earn a 20% vested right in the Company Match for each full year of Vesting Service (defined in the next column) that you complete. After five years of Vesting Service, you are fully vested. If you incur a Break in Service (defined below) before completing five years of Vesting Service, the non-vested portion of your Company Match Account will be placed in a "suspense" account and will be forfeited after you incur five consecutive one-year Breaks in Service. Forfeitures are applied to reduce future matching contributions by your employer.

If you are re-employed by the company or a participating organization before you incur five consecutive one-year Breaks in Service, and you complete five years of Vesting Service (including your years of Vesting Service before such Break in Service), you will become 100% vested in your suspense accounts. Such suspense account amounts will be restored to your Regular SIP Solutia Company Match Account and/or your RIDA Solutia Company Match Account.

No matter how many years of Vesting Service you have, you are automatically vested 100% if, while an active employee, you reach age 65, die, or become totally and permanently disabled.

Following are key definitions used to determine whether you are vested:

► **Hour of service:** In general, an hour of service means each hour for which you are paid (either directly or indirectly) for time actually worked or are entitled to payment for time not actually worked. This would include holidays, vacation, and temporary disability. In addition, if you became employed by Solutia on September 1, 1997, you were credited with hours of service equal to your hours of service under the Monsanto SIP as of August 31, 1997.

► **Year of Vesting Service: You began to receive Vesting Service on your first day at work.**

For vesting purposes, the plan credits you with one year of Vesting Service for each calendar year in which you complete 1,000 or more hours of service. If you complete less than that, you will be credited with a fraction of a year. If you are a full-time employee, this fraction is determined by dividing the hours of service credited that year by the standard hours of service completed that year by a full-time employee at your location (normally 2,080 hours). If you are not a full-time employee, the fraction is determined by dividing the hours of service you actually work by the number of hours you are regularly scheduled to work during the year. In addition, if you became employed by Solutia on September 1, 1997, you were credited with years of Vesting Service equal to your years of Vesting Service under the Monsanto SIP as of August 31, 1997. You may be eligible to be credited with additional years of Vesting Service based on work done for Solutia while self-employed or while working for a third party. Contact the Benefits Center if this may apply to you.

► **Break in Service:** You will incur a one-year Break in Service in any calendar year in which you complete fewer than 501 hours of service. There is no Break in Service if you are on an approved family leave or in the year of termination or hire.

SAVINGS AND INVESTMENT PLAN

How the Plan Works *(cont'd)*

SECTION II: Making Changes In SIP

In the first section, we reviewed the three questions you need to answer as you put money into SIP: what percentage of base pay to contribute; how to split your contributions between Regular SIP and RIDA; and how to invest your contributions.

The chart shown below sketches what you need to do if you wish to change any of those decisions while you are an active employee. All of the types of changes noted on the chart can be made once each month.

MAKING CHANGES IN SIP		
<u>IF YOU WANT TO —</u>	<u>THEN CALL THE SOLUTIA BENEFITS LINE (1-888-726-8616) —</u>	<u>FOR YOUR ELECTION TO BE EFFECTIVE ON —</u>
Change the percentage of base pay you are contributing or suspend or resume contributions	By 3 p.m. Central time on the 10th of the month	The first day of the following month
Change how your FUTURE contributions are invested or change Savings Bond registration (name, address, denomination, etc.)	By 3 p.m. Central time on the last business day of the month	The first day of the month in which the election is made
Transfer the value of your PAST contributions and earnings among the investment funds (excluding the Non-Employer Stock Fund)	By 3 p.m. Central time on the last business day of the month	The last day of the month in which the election is made

SAVINGS AND INVESTMENT PLAN

How the Plan Works *(cont'd)*

SECTION II: Making Changes In SIP *(cont'd)*

TRANSFER OF PAST RIDA OR REGULAR SIP CONTRIBUTIONS

As an active employee or while in deferral status, you may elect, once each month, to transfer all or a portion of your past Regular SIP and/or RIDA contributions and earnings among the investment funds subject to the following limitations:

- ▶ you need to elect through the Solutia Benefits Line by 3 p.m. Central time on the last business day of the month how your contributions and earnings are to be invested (in 10% increments) after the transfer;
- ▶ you may not transfer amounts into the Employer (Solutia) Stock Fund to the extent such transfer would result in more than 30% of your Regular SIP contributions (plus earnings on those contributions) or more than 30% of your RIDA contributions (plus earnings on those contributions) being invested in your Solutia Employee Stock Account;
- ▶ you may transfer amounts out of the Non-Employer Stock Fund, **but you cannot transfer amounts into the Non-Employer Stock Fund.**

The value of the portion of your Solutia Employee Stock Account to be transferred to the Fixed Income, Balanced, or Equity Funds will be based on the closing market price of Solutia stock as reported on the New York Stock Exchange composite transactions as of the last trading day of the month in which the transfer is made.

COMPANY MATCH STOCK TRANSFER ELECTION — MONSANTO STOCK

If you have a Monsanto Company Match Account, you can transfer all or part of such account (in 1% increments) to the other investment funds. Important notes:

- ▶ All amounts in your Monsanto Company Match Account which are transferred to the other investment funds will continue to be accounted for separately and will be subject to the loan and withdrawal restrictions on your Company Match Account.

- ▶ If you transfer all or a portion of your Monsanto Company Match Account into the Employer (Solutia) Stock Fund, you will not be able to transfer such amounts to the other investment funds until the earlier of: (a) the date you reach age 50; or (b) the month following the date in which you terminate employment.

- ▶ If you make such an election, the transfer will take place on the last trading day of the month during which your election is timely made, regardless of the stock price on that date. The value to be transferred will be based on the closing market price of Monsanto stock as reported on the New York Stock Exchange composite transactions as of the last trading day of the month in which the transfer is made.

You must call the Benefits Line by 3 p.m. Central time on the last business day of any given month for your Monsanto Company Match Stock Transfer Election to be in effect as of the last day of the month in which it is made. To make such an election, you will need to speak to a Benefits Center Representative. You will need to either specify a dollar amount or indicate that you want 100% of your Monsanto Company Match balance to be transferred. You will receive a confirmation of your Monsanto Company Match Stock Transfer Election.

COMPANY MATCH STOCK TRANSFER ELECTION — SOLUTIA STOCK

This provision only applies to active employees. If you are in deferral, see pages 27-28.

If you are at least age 50 and are either fully vested or have at least 10 years of SIP participation, you can transfer part of your Company Match Account in the Employer (Solutia) Stock Fund to the Fixed Income, Balanced, and/or Equity Funds. Important note: All amounts in your Solutia Company Match Account which are transferred to the Fixed Income, Balanced, and/or Equity Funds will continue to be accounted for separately and will be subject to the regular loan and withdrawal restrictions on your Company Match Account.

SAVINGS AND INVESTMENT PLAN

How the Plan Works *(cont'd)*

SECTION II: Making Changes In SIP (cont'd)

Percentage Of Shares To Be Transferred

If you are between ages 50 and 60, each year you may transfer 5%, 10%, 15%, 20% or 25% of your Company Match Account invested in the Employer (Solutia) Stock Fund.

Beginning at age 60, each year you may transfer up to 50%, in 5% increments. Note, the total transfer available for the calendar year in which you reach age 60 is 50%. For example, if you are age 60 on July 1 and transferred 20% of the stock in your Solutia Company Match Account in March of that year, you may only transfer up to 30% during the remainder of the year.

Solutia Company Match Stock Transfer Elections may be made once each month provided the maximum percentage per year is not exceeded. The maximum percentage per year is applied against the number of shares in your Solutia Company Match Account as of December 31 of the preceding year to determine the maximum number of shares that may be transferred during the year. For example, if you had 1,000 shares in your account as of December 31, 1997 and you are age 58, the maximum number of shares that you can transfer during 1998 is 250 shares.

The value to be transferred will be based on the closing market price of Solutia stock as reported on the New York Stock Exchange composite transactions as of the last trading day of the month in which the transfer is executed.

Minimum Price Election vs Market Price Election

When you elect to make a Solutia Company Match Stock Transfer, you will have two options — a Minimum Price Election or a Market Price Election. If you elect to make a Minimum Price Election, you will be asked to specify a minimum value that the stock must equal or exceed at the end of the month before the transfer will take place. This feature protects the value of your account against a sudden drop in the stock market. For example, if you specified \$22 per share as the lowest acceptable market price for your transfer, and the stock was valued at \$20 at the end of the month, no transfer would be made for that month. Each Minimum Price Election will be first recorded during the month in which it is timely

made and may be executed on the earliest of the last trading day of that month or the last trading day of the two following months, depending on your minimum acceptable transfer price.

If you make a Market Price Election, the transfer will take place on the last trading day of the month during which the Solutia Company Match Stock Transfer Election is timely made, regardless of the stock price on that date.

If you have both Regular SIP and RIDA Solutia Company Match Employer Stock Fund accounts, your transfer percentage will be applied to both accounts to arrive at the total transfer. For example, if you choose to transfer 20%, your 20% election will apply to both your Regular SIP and your RIDA Solutia Company Match Accounts invested in the Employer (Solutia) Stock Fund.

Investment Of Diversified Solutia Company Match Account Amounts

When you elect to make a Solutia Company Match Stock Transfer, you must specify how the value transferred out of the Employer Stock Fund should be invested, in 10% increments, among the Fixed Income, Balanced and Equity Funds. Amounts transferred to the Fixed Income, Balanced or Equity Funds as a result of a Solutia Company Match Stock Transfer Election are sometimes called "diversified Company Match Account amounts."

After the month in which the transfer occurs, you may make additional transfers of your diversified Company Match Account amounts among the Fixed Income, Balanced and Equity Funds. You will need to elect how your diversified Company Match Account amounts are to be invested (in 10% increments) after the transfer.

In addition, you will be able to transfer amounts back into the Employer Stock Fund. See "Company Match Reallocation Election" on the next page.

How To Make Your Election

You must call the Benefits Line by 3 p.m. Central time on the last business day of any given month for your Solutia Company Match Stock Transfer Election to be in effect as of the last day

SAVINGS AND INVESTMENT PLAN**How the Plan Works** *(cont'd)***SECTION II: Making Changes In SIP** *(cont'd)*

of the month in which it is made. To make a Solutia Company Match Stock Transfer Election, you will need to speak to a Benefits Center Representative. You will receive a confirmation of your Solutia Company Match Stock Transfer Election.

You need to keep in mind...

Once you have made a Solutia Company Match Stock Transfer Election, there are several things to keep in mind:

- ▶ A Solutia Company Match Stock Transfer Election may be cancelled or revised before 3 p.m. Central time on the last business day of a month if the election has not been executed.
- ▶ Your Minimum Price Election will automatically expire if, due to your specified minimum market price, the election is not executed on one of the three possible end-of-the-month trading dates.
- ▶ If you specify a Minimum Price Election, it is important to note that the stock price may fluctuate above or below your selected acceptable market price during the month. However, only the closing value of the stock as of the last trading day of the month will be used to determine if your Minimum Price Election will be executed.
- ▶ The Company Match on future contributions will continue to be invested in the Employer Stock Fund. You can then make a Solutia Company Match Stock Transfer Election for those amounts.
- ▶ The beneficial tax treatment given to "Unrealized Appreciation" applies only to stock and consequently will not apply to Company Match balances transferred to other funds and/or subsequently distributed in cash. See pages 40-41 for a more complete explanation of "Unrealized Appreciation."
- ▶ The Solutia Company Match Stock Transfer Election option provides you with greater

investment flexibility as you approach retirement age. It is your decision to exercise this option.

COMPANY MATCH REALLOCATION ELECTION

If you make a Solutia Company Match Stock Transfer Election, you may subsequently transfer all or a portion of the Solutia Company Match amounts which are invested in the Fixed Income, Balanced or Equity Funds back into the Employer Stock Fund. Your reallocation election must specify, in 10% increments, the percentage of your diversified Company Match Account amounts to be reinvested in the Employer Stock Fund as well as the percentages to be invested in the Fixed Income, Balanced and Equity Funds after the transfer.

If you have both Regular SIP and RIDA Solutia Company Match Accounts, the reallocation percentage you choose will be applied to both accounts to arrive at the total repurchase. For example, if you elect to have 20% of your diversified Company Match Account amounts transferred back into the Employer Stock Fund, your 20% election will apply to both your diversified Regular SIP and your diversified RIDA Solutia Company Match Accounts. (Note that you will also need to designate how the remaining 80% of your diversified Solutia Company Match Account amounts are to be invested among the Fixed Income, Balanced and Equity Funds.)

If you make a reallocation election while an active employee, the amount transferred back into the Employer Stock Fund may only be transferred out of the Employer Stock Fund as the result of a Solutia Company Match Stock Transfer Election (subject to the restrictions/provisions of this election) or at the time of a distribution or deferral election.

You will need to call the Benefits Line by 3 p.m. Central time on the last business day of the month for your Company Match Reallocation Election to be in effect as of the last day of the month. To make a Company Match Reallocation Election, you will need to speak to a Benefits Center Representative. You will receive a confirmation of your Company Match Reallocation Election.

SAVINGS AND INVESTMENT PLAN

How the Plan Works *(cont'd)*

SECTION III: TAKING MONEY OUT OF SIP

There are five ways you can get your money out of SIP: withdrawals, loans, Five/10 Payouts, final distributions at or after termination or retirement and installment payments at or after retirement. (If you retire or terminate employment, you may be able to defer receiving a final distribution.) Your employment status and age — whether you are an active employee, an employee who is retiring, or an employee who is terminating — will determine the options available to you.

You may recall that there are two options for putting money into SIP: Regular SIP and RIDA. Note that the withdrawal provision described below applies only to your Regular SIP money, as does the Five/10 Payout if you are under age 59-1/2. In other situations, your RIDA money may also be available.

The charts on the next three pages summarize your options for taking money out of SIP. Following that is a more detailed description of each of those options.

A few notes about the options for taking money out of SIP described on the following pages:

- ▶ They are not necessarily exclusive of each other. As an active employee, you may be able to take a withdrawal as well as a loan. As a retiree, you may elect to defer your SIP distribution and then elect either a final distribution or installment payments.

- ▶ All payments are based on the value of each SIP account as of the last day of the month in which your distribution request is processed (the “valuation date”). Amounts distributed from the Fixed Income Fund will be credited with an additional 15 days of interest in the month the distribution is made. If you are receiving a distribution of your entire SIP account balances, this additional interest will be included in the amount of your distribution. If you are not receiving your entire SIP account balances, this additional interest will be credited to your account in the Fixed Income Fund. You will receive your distribution by the end of the month following the month in which your request is processed.

- ▶ The tax information included beginning on page 36 provides an overview of the impact of your choices.

SAVINGS AND INVESTMENT PLAN**How the Plan Works** (cont'd)*SECTION III: Taking Money Out Of SIP (cont'd)*

TAKING MONEY OUT OF SIP - YOUR OPTIONS			
<u>YOUR STATUS</u>	<u>OPTIONS</u>	<u>HIGHLIGHTS</u>	<u>SEE PAGES</u>
ACTIVE EMPLOYEE	Withdrawal (Regular SIP only)	You can specify the exact amount of money you want to withdraw – or that you want the maximum amount available without a plan penalty, or maximum amount even with a plan penalty. Two withdrawals per calendar year.	20-21
	Loan	You can borrow from your Regular SIP and RIDA Contributions Accounts. Minimum: \$1,000. Maximums: (1) 100% of Fixed Income, 85% of Balanced, 85% of Solutia Employee Stock Account, 85% of Monsanto Employee Stock Account, 85% of Equity, up to 50% of vested account balances (including Company Match), or (2) \$50,000 minus excess of highest outstanding loan balance in last 12 months over outstanding loan balance on the date the loan is made, or (3) an amount which requires repayments of 20% of your base pay per pay period — whichever is less. One loan per calendar year. Only one outstanding loan at a time. From 12- to 60-month pay-back period.	21-24
	Five/10 Payout (only Regular SIP if under 59-1/2)	You can choose a Payout from 10% to 100% of available funds, when you have been a SIP participant for five years, and every 10 years after that. No plan penalty. If you are at least 59-1/2, available funds will include RIDA money as well.	24-26
EMPLOYEE WHO IS RETIRING	Final Distribution	You receive the entire balance of your accounts. Any remaining unpaid loan balance is cancelled and subtracted from the payment you receive.	26-27

SAVINGS AND INVESTMENT PLAN**How the Plan Works** (cont'd)**SECTION III: Taking Money Out Of SIP** (cont'd)**TAKING MONEY OUT OF SIP - YOUR OPTIONS** (cont'd)

EMPLOYEE WHO IS RETIRING (cont'd)	Deferral	You need to be under age 70-1/2 to elect deferral. Can end deferral any time up to age 70-1/2. You can leave stock in your Company Match Accounts as stock or have all or part (in 10% increments) of it converted to cash and transferred to Fixed Income, Balanced, and/or Equity Funds. You may transfer amounts in your Company Match Accounts among the Fixed Income, Balanced, Equity and Employer Stock Funds. You can make separate elections for your Monsanto Company Match Account and your Solutia Company Match Account. Choice of repaying loan at time of election. Two withdrawals per calendar year will be allowed. When you end deferral, you can elect final distribution or installment payments (if account balance is above \$3,500).	27-30
	Installment Payments	Account balance must be above \$3,500. You select payment period (one year to a maximum that depends on your age). You select payment interval (monthly, quarterly, annually). Balanced, Equity, Non-Employer Stock and Employer (Solutia) Stock Funds converted to cash and transferred to Fixed Income. No further investment elections. Choice of paying off loan at time of election. Once per calendar year, can make withdrawal, change payment period and/or interval.	30-33
EMPLOYEE WHO LEAVES EMPLOYMENT PRIOR TO RETIREMENT OR BECOMES DISABLED	Final Distribution	You receive the vested balance of your account. Any remaining unpaid loan balance is cancelled and subtracted from the payment you receive.	33

SAVINGS AND INVESTMENT PLAN**How the Plan Works** (cont'd)**SECTION III: Taking Money Out Of SIP** (cont'd)**TAKING MONEY OUT OF SIP - YOUR OPTIONS** (cont'd)

EMPLOYEE WHO LEAVES EMPLOYMENT PRIOR TO RETIREMENT OR BECOMES DISABLED (cont'd)	Deferral	You can leave stock in your Company Match Accounts as stock or have all or part (in 10% increments) of it converted to cash and transferred to Fixed Income, Balanced, and/or Equity Funds. You may transfer amounts in your Company Match Accounts among the Fixed Income, Balanced, Equity, and Employer Stock Funds. You can make separate elections for your Monsanto Company Match Account and your Solutia Company Match Account. Choice of paying off loan at time of election. Two withdrawals per calendar year will be allowed. You can end the deferral any time up to age 70-1/2. No installment payment option is permitted at end of deferral.	33
	DEATH	A SIP beneficiary who is a surviving spouse may elect to defer distribution for up to two years from the end of the month in which the participant died. Such surviving spouse may make up to two partial withdrawals per calendar year while in deferral status. Deferral is not available for any portion of the participant's account payable to a non-spouse beneficiary.	34
	Final Distribution	A SIP beneficiary who is a surviving spouse may elect to receive a final distribution. A non-spouse SIP beneficiary will receive the entire amount payable in one payment as soon as practicable after the participant's death.	33-34

SAVINGS AND INVESTMENT PLAN**How the Plan Works** *(cont'd)**SECTION III: Taking Money Out Of SIP (cont'd)***TAKING MONEY OUT OF SIP —
WITHDRAWALS**

While you are an active employee, you can withdraw money only from your Regular SIP accounts — not from your RIDA accounts. Your Regular SIP contributions up to and including the first 7% of your base pay are called "Regular SIP Matched Contributions." Your Regular SIP contributions in excess of 7% of your base pay are called "Regular SIP Supplemental Contributions." In addition, any Regular SIP contributions made prior to the date you became eligible to receive the Company Match are Regular SIP Supplemental Contributions.

How Much

You can withdraw any amount from your Regular SIP accounts — except for matching contributions credited to your Regular SIP Company Match Accounts in the last 24 months and any portion of your Regular SIP Company Match Accounts in which you are not vested. You can specify the exact amount of money you want to withdraw. Or, rather than a dollar amount, you can specify that you want the maximum amount available without a plan penalty — or the maximum amount available, even with a plan penalty (the penalty is suspension of the Company Match for three months).

None of these withdrawal provisions apply to Savings Bonds, since they are delivered to you when purchased.

How Often

You can make two withdrawals per year (minimum \$500 or available balance, if less).

Plan Penalty For Withdrawal

In certain circumstances, there may be a plan penalty for withdrawing money from certain Regular SIP accounts. (See chart below.) **The plan penalty is that the Company Match is suspended for three months.** Your contributions continue (unless you stop them). The Company Match will start automatically at the end of the penalty period if you are still contributing. Any balances in your accounts continue to share in the performance of their respective investment funds.

The chart below spells out the order in which your accounts will be depleted and indicates when the plan penalty (suspension of the Company Match) will apply:

<u>If you have been a SIP participant</u>		
<u>Withdrawals</u>	<u>5 Plus years</u>	<u>Less than 5 years</u>
All Regular SIP SUPPLEMENTAL Contributions and earnings. Your Regular SIP MATCHED Contributions and earnings in your account more than 24 months	No penalty if withdrawn	No penalty if withdrawn
Your Regular SIP MATCHED Contributions and earnings within 24 months	No penalty if withdrawn	PENALTY IF WITHDRAWN
Regular SIP COMPANY MATCH ACCOUNTS (vested portion only) excluding contributions made during last 24 months	PENALTY IF WITHDRAWN	PENALTY IF WITHDRAWN

SAVINGS AND INVESTMENT PLAN**How the Plan Works** *(cont'd)**Withdrawals (cont'd)*

(When it comes time to report to you and the IRS what withdrawn amounts are taxable and non-taxable, there are different rules for determining how money is withdrawn. See the Tax Information section on pages 36-41.)

How And When To Apply For A Withdrawal

For withdrawals after January 1, 1998, call the Benefits Line by 3 p.m. Central time on the last business day of the month in order to receive your withdrawal by the end of the following month. You will then receive a confirmation notice of your request and a SIP Notice of Alternative Tax Treatment. **You will not need to return the confirmation notice; however, by negotiating or otherwise cashing the withdrawal check, you will be consenting to the distribution and acknowledging receipt of the Notice of Alternative Tax Treatment.**

When you elect a withdrawal, you will need to indicate whether you want the withdrawal amount paid directly to you or rolled over to an IRA. If you elect to have the withdrawal rolled over to an IRA, you will need to speak to a Benefits Center Representative.

If you are receiving Monsanto and/or Solutia stock, your stock certificate will be sent separately from your check.

You will be able to either specify the order in which you want your balances in the Fixed Income, Balanced and Equity Funds and Employee Stock Account portions of the Employer and Non-Employer Stock Funds depleted to fund the withdrawal or elect to have your withdrawal funded in proportion to your current balances in each. If you want to specify the order in which the funds are to be depleted, you will need to speak to a Benefits Center Representative. If you are withdrawing any portion of your Employee Stock Account and/or your Company Match Account, you can elect to receive such amounts as Monsanto and/or Solutia stock or cash. You will make separate elections for your Non-Employer (Monsanto) Stock Fund Accounts, your Solutia

Employee Stock Account and your Solutia Company Match Account. If you want to receive shares of Monsanto and/or Solutia stock, you will need to call and speak to a Benefits Center Representative. If you do not make an election, your stock will be converted to cash.

If you have diversified Solutia Company Match Account amounts invested in the Fixed Income, Balanced, and/or Equity Funds and you want to receive such amounts as Solutia stock, you will need to make a Company Match Reallocation Election (see page 15) at the time you make your withdrawal request.

Tax Information

You will pay ordinary income tax and possibly an additional 10% income tax on the taxable portion of your withdrawal. See the Tax Information section on pages 36-41.

TAKING MONEY OUT OF SIP — LOANS

You can borrow from your Regular SIP and RIDA Contributions Accounts (including the contributions and earnings on your Regular SIP and RIDA contributions) in \$100 increments. You can take from 12 to 60 months to pay yourself back. You cannot take a loan if you are in deferral or installment status.

You cannot borrow from your Monsanto Company Match Account, your Solutia Company Match Account or your Bond Purchase Account.

How Much

If your total vested SIP balance is over \$2,000, the least amount you can borrow is \$1,000, and the most you can borrow is the lesser of:

- ▶ 100% of your available Fixed Income Fund, 85% of your Equity Fund, 85% of your Balanced Fund, 85% of your Monsanto Employee Stock Account and 85% of your Solutia Employee Stock Account, up to 50% of your total vested SIP balance (including the Company Match), or

SAVINGS AND INVESTMENT PLAN**How the Plan Works** (cont'd)*Loans (cont'd)*

- ▶ \$50,000 minus the excess of the highest outstanding loan balance you had in the last 12 months over your outstanding loan balance on the date the loan is made, or
- ▶ an amount that would result in a deduction of more than 20% of your base pay each pay period to repay the loan.

If your vested balance is less than \$2,000, you cannot take a loan. You cannot borrow from the Company Match (including Monsanto Company Match Account amounts and diversified Solutia or Monsanto Company Match Account amounts invested in Fixed Income, Balanced and/or Equity Funds), but the values of your Company Match Accounts are counted to determine your total vested balance.

How Often

One loan is permitted each calendar year. You can have only one outstanding loan at a time. **If you owe money on a loan made in a prior year and want to take out a new loan, the amount you need to "borrow" equals the total of the outstanding balance on the prior loan and the amount of the new loan.** The prior loan is then "paid off," and you receive a check for the difference between the total amount requested and the prior loan balance. This is sometimes referred to as a "refinanced" loan. The additional amount of your refinanced loan must be at least \$1,000. The total amount requested cannot exceed your loan maximum.

Interest Rates

New interest rates are set quarterly for new or refinanced loans. Currently, the rate is based on the prime interest rate.

When you take out a loan, the interest rate will be determined as of the effective date of the loan and will not change for the life of your loan. If you have an outstanding balance and want to refinance your loan, the interest rate will be determined as of the effective date of the refinanced loan.

How Long

You can establish a loan repayment schedule from 12 to 60 months. You can pay off the remaining balance of your loan effective the last day of any month, with no prepayment penalty.

How And When To Apply

To request a loan after January 1, 1998, call the Benefits Line by 3 p.m. Central time on the last business day of the month to receive your loan amount by the end of the following month. You will then be sent a "Promissory Note/Disclosure Statement" which will show all the specifics — the annual rate of interest, the total amount of interest you'll have to pay and the actual payroll deduction from each paycheck. **You will not need to return the Promissory Note/Disclosure Statement; however, by negotiating or otherwise cashing the loan disbursement check, you are acknowledging receipt of the Promissory Note and agreeing to be bound by the terms and conditions and repayment schedule set forth in the Note.**

Of course, your question when applying for a loan is: When will I get the money?

The general time frame for administering your loan is as follows:

TIMING FOR LOANS - on and after January 1, 1998		
<i>First Month</i>	Not later than 3 p.m. Central time on the last business of the month Last day of month	You call the Benefits Line to request loan Effective date of loan
<i>Second Month</i>	End of month	Benefits Center sends check addressed to your home
<i>Third Month</i>	First day of month First pay date	Loan interest charges begin Payroll deduction begins

SAVINGS AND INVESTMENT PLAN**How the Plan Works** *(cont'd)**Loans (cont'd)***Sources Of Loan Funds**

You have two decisions to make concerning the source of your loan funds:

1. Whether you wish to designate the order in which your Fixed Income, Balanced, Equity, Solutia Employee Stock Account and Monsanto Employee Stock Account are to be depleted to fund your loan amount (you will need to speak to a Benefits Center Representative to do this) or borrow from each in proportion to the balance in each, and
2. Whether you want your loan secured first by Regular SIP or first by RIDA.

Depending on whether you want your loan secured first by Regular SIP or RIDA, the sources of your loan will be as follows:

FIRST SECURED BY REGULAR SIP:

1. Regular SIP Contributions Account
2. RIDA Contributions Account

All of the Fixed Income, Balanced, Equity, Employer (Solutia) Stock and Non-Employer (Monsanto) Stock Funds in your Regular SIP Contributions Account are used before moving on to your RIDA Contributions Account.

FIRST SECURED BY RIDA:

1. RIDA Contributions Account
2. Regular SIP Contributions Account

All of the Fixed Income, Balanced, Equity, Employer (Solutia) Stock and Non-Employer (Monsanto) Stock Funds in your RIDA Contributions Account are used before your Regular SIP Contributions Account.

Repaying A Loan

You must repay your loan through payroll deduction with each paycheck. You can make an early repayment by personal check, but it must be for the total outstanding balance. Call the Benefits Line to request payoff of your loan. After all payroll deductions have been stopped, you will

receive an "Early Loan Repayment Notice" informing you of the final loan payoff amount. You must send this amount to the Benefits Center by the date specified on the notice. Otherwise, payroll deductions will resume.

Loan principal: you will be paying back the accounts against which you borrowed in the following order, whether you elected to secure your loan first with your RIDA Contributions Account or Regular SIP Contributions Account:

1. Regular SIP Contributions Account
2. RIDA Contributions Account

Thus, you are first paying back the Regular SIP Contributions Account which is more readily available for withdrawal (see page 5).

Loan interest: interest payments on the outstanding loan balance will be allocated between Regular SIP and RIDA accounts in proportion to the outstanding loan balance due to both, as of the end of the preceding month.

Both principal and interest payments will be split among the Fixed Income, Balanced, Equity, and Employer (Solutia) Stock Funds, depending on your then-current investment election. If no election is currently on file or the election is 100% Savings Bonds, the Fixed Income Fund will be credited.

If you are not able to repay your loan within the required 60-month maximum repayment period as a result of layoff, unpaid leave of absence, or any other reason: a taxable distribution to you in the amount of the unpaid loan balance will be declared at the earlier of a final distribution or the end of the maximum 60-month repayment period. With respect to any amounts secured by RIDA, you will still be obligated to repay the loan until you are able to take a RIDA distribution. If you return to employment before receiving a taxable distribution, you will have several choices on how to repay the remaining balance on your loan:

- (1) write a personal check to make up for missed payments or to pay off your loan completely,
- (2) increase the repayment amount so that your loan is paid off by the original date of maturity or by the 60-month maximum repayment period, or
- (3) if you can receive a loan, initiate a new (refinanced) loan (and thereby pay off the old loan).

SAVINGS AND INVESTMENT PLAN**How the Plan Works** *(cont'd)**Loans (cont'd)***What Happens To Your Loan If You Have An Outstanding Loan Balance and Elect Other SIP Payments**

If you have an outstanding loan balance and —

- ▶ You elect a Regular SIP withdrawal, or a Five/10 Payout and are under age 59-1/2: you must continue to repay the outstanding loan balance.
- ▶ You elect a Five/10 Payout and are 59-1/2 or over: you can cancel your loan (in which case the outstanding loan balance is included in the amount reported to the IRS as distributed to you, but not actually included in your Five/10 Payout amount) or continue to repay the outstanding loan balance.
- ▶ You receive a final distribution (no matter what your age): your loan is cancelled — you don't need to "pay it off." Because you already received the money, the outstanding loan balance is not actually included in your distribution at this time but it is included in the amount reported to the IRS as distributed to you.
- ▶ You elect the deferral option: you have a choice of paying off your loan or not.
- ▶ You elect installment payments: you have a choice of paying off your loan or not.

If you have a choice of paying off your loan or not, and you do not pay off your loan, your loan balance will be considered as distributed to you and reported to the IRS as a distribution for income tax purposes. This can impact whether a final distribution in a later year would qualify for lump sum tax treatment. If you want to roll over your taxable loan amount, you must repay the loan before you receive the distribution or you must find other money equal to the loan amount to roll over. See the Tax Information section on pages 36-41.

Loan Interest Payments

The interest you pay on your loan is considered as earnings on your SIP accounts. Therefore, it will be taxable just like other SIP earnings when paid out of the plan (even though you have paid

interest with after-tax dollars and, under current law, the interest generally is not tax-deductible at the time of payment).

TAKING MONEY OUT OF SIP — FIVE/10 PAYOUT

When you have been a SIP participant for five years — and every 10th year after that — you can elect a Five/10 Payout from SIP. You can also elect not to take a Payout.

Three points of clarification:

- ▶ The years refer to years of SIP participation — not years of service with your employer.
- ▶ The years include years of participation in the Monsanto SIP.
- ▶ You are not eligible for a Five/10 Payout after 10 years of SIP participation. The "10" in Five/10 indicates every 10 years after the first five years — in other words, you can elect a Payout at five years, and then at 15, 25, 35 years of SIP participation.

The Five/10 Payout feature offers several advantages. Unlike a withdrawal, for example, there are never any plan penalties for taking out the Company Match as part of your Payout. And if you are over age 59-1/2, your RIDA money is available. However, before you decide, carefully read the Tax Information section on pages 36-41.

How Much

You can choose the amount you wish to receive, in 10% increments, from 10% up to 100% of available funds. If you elect to receive a Payout of any portion of your Employee Stock Account and/or Company Match Account, you can elect to receive a portion (in 10% increments) of the account as Monsanto and/or Solutia stock and the remaining portion in cash. You will make separate elections for your Non-Employer (Monsanto) Stock Fund Accounts, your Solutia Employee Stock Account and your Solutia Company Match Account. If you want to receive shares of Monsanto and/or Solutia stock, you will need to call and speak to a Benefits Center Representative. If you do not make an election, your Monsanto and Solutia stock will be converted to cash.

SAVINGS AND INVESTMENT PLAN

How the Plan Works *(cont'd)*

Five/10 Payout (cont'd)

If you have diversified Solutia Company Match Account amounts invested in the Fixed Income, Balanced, and/or Equity Funds and you want to receive such amounts as Solutia stock, you must make a Company Match Reallocation Election (see page 15) at the time you make your Five/10 Payout request.

If you elect to receive stock, you will receive a certificate for full shares of stock and a check for the value of any fractional shares.

If you are 59-1/2 or over and have an outstanding loan balance at the time of your Payout, you have a choice of cancelling your loan or continuing to repay the outstanding loan balance.

Sources Of Funds

You will have to make a decision as to the source of your Payout — whether you wish to designate the order in which your investments in the Fixed Income, Balanced and Equity Funds and your Employee Stock Account portions of the Employer (Solutia) and Non-Employer (Monsanto) Stock Funds are to be depleted to fund your Payout amount or to have your Payout amount funded from each in proportion to the balance in each.

Here's the order and availability of funds:

<u>ACCOUNT</u>	<u>YOUR AGE</u>	
	<u>under 59-1/2</u>	<u>59-1/2 or over</u>
RIDA Contributions	not available	first
Regular SIP Contributions	first	second
Vested RIDA Company Match	not available	third
Vested Regular SIP Company Match	second	fourth

All of the Fixed Income, Balanced, Equity, Employer Stock and Non-Employer Stock Funds in each account are used before moving on to the next account.

How And When To Apply

You will receive a Five/10 Payout Notification letter approximately three months before you become eligible for a Payout.

To receive a Payout which is effective after January 1, 1998, call the Benefits Line by 3 p.m. Central time on the last business day of the month before the Five/10 Payout date shown on your Notification letter. You will then receive a confirmation notice of your request and a SIP Notice of Alternative Tax Treatment. **You will not**

need to return the confirmation notice; however, by negotiating or otherwise cashing the Five/10 Payout check, you will be consenting to the distribution and acknowledging receipt of the Notice of Alternative Tax Treatment.

When you elect a Five/10 Payout, you will need to indicate whether you want the Payout amount paid directly to you or rolled over to an IRA. If you elect to have the Payout amount rolled over to an IRA, you will need to speak to a Benefits Center Representative.

SAVINGS AND INVESTMENT PLAN**How the Plan Works** *(cont'd)**Five/10 Payout (cont'd)***Tax Information**

You may have to pay ordinary income tax and an additional 10% income tax on the taxable portion of your Payout. Your distribution may qualify for five or 10-year averaging. You may be able to roll over your distribution. See the Tax Information section on pages 36-41.

TAKING MONEY OUT OF SIP — FINAL DISTRIBUTION AT OR AFTER RETIREMENT

When you retire, or any time during your deferral period, you can elect to receive a final distribution.

How Much

If you request a final distribution, you will receive the full value of all your SIP accounts — Regular SIP, RIDA and Company Match.

Distribution of your investments in the Fixed Income, Balanced, and Equity Funds will be in cash. Any balance in your Bond Purchase Account that was not sufficient to purchase Savings Bonds will be paid to you in cash. If you have invested in Savings Bonds, you have already received those Bonds.

You have three choices as to the Solutia stock in your Solutia Employee Stock Account and amounts in your Solutia Company Match Account: 100% shares of Solutia stock; 100% cash; or a portion, in 10% increments, of the account as Solutia stock and the remaining portion in cash. You will make a separate election for your Solutia Employee Stock Account and your Solutia Company Match Account. So you can elect to take stock for your Solutia Employee Stock Account and cash for your Solutia Company Match Account or vice versa — or you can elect to take both accounts in stock or both accounts in cash — or you can elect to take one account in all cash or stock and the other account as part cash and part stock. (If you elect to take any portion as shares of stock, the value of any fraction of a share will be paid in cash.) If you do not make an election, your Solutia stock in both accounts will be converted to cash.

Similarly, you have three choices as to the Monsanto stock in your Non-Employer (Monsanto) Stock Fund Accounts: 100% shares of Monsanto stock; 100% cash; or a portion, in a specific number of shares, of the account as Monsanto stock and the remaining portion in cash. (If you elect to take any portion as shares of stock, any fractional shares in your accounts will be paid in cash.) If you do not make an election, your Monsanto stock in both accounts will be converted to cash.

If you have diversified Solutia Company Match Account amounts invested in the Fixed Income, Balanced and/or Equity Funds and you want to receive all or part of these amounts as Solutia stock, you must make a Company Match Reallocation Election (see page 15) when you make your final distribution request.

With a final distribution, any unpaid SIP loan you have is cancelled. The outstanding loan balance is considered as part of your final distribution for tax purposes, but will not be included in your payment since you have previously received that money.

How And When To Apply

To request a final distribution effective after January 1, 1998, call the Benefits Line by 3 p.m. Central time on the last business day of the month in order to receive your distribution by the end of the following month. You will then receive a confirmation notice of your request and a SIP Notice of Alternative Tax Treatment. **You will not need to return the confirmation notice; however, by negotiating or otherwise cashing the distribution check, you will be consenting to the distribution and acknowledging receipt of the Notice of Alternative Tax Treatment.**

SAVINGS AND INVESTMENT PLAN**How the Plan Works** *(cont'd)**Final Distribution (cont'd)*

When you elect a distribution, you will need to indicate whether you want the distribution amount paid directly to you or rolled over to an IRA. If you elect the IRA rollover, you will need to speak to a Benefits Center Representative.

Tax Information

You may have to pay ordinary income taxes and an additional 10% income tax on the taxable portion of your distribution. Your distribution may qualify for five or 10-year averaging. You may be able to roll over your distribution. Special rules apply if part of your distribution is in stock. See the Tax Information section on pages 36-41.

TAKING MONEY OUT OF SIP — DEFERRAL AT RETIREMENT

If you retire before age 70-1/2, you can elect to defer receiving your SIP money. The deferral is automatic if you do not elect another option at retirement.

Length Of Deferral

You can end deferral at any time up to the month in which you reach age 70-1/2. The account will be distributed in one payment to you automatically after you reach age 70-1/2 if you've made no election by then.

Investment Of Funds At And During Deferral

You can choose to keep all or part (in 10% increments) of your Solutia Company Match Account invested in the Employer (Solutia) Stock Fund. If you do not make an election, your Solutia Company Match Account will remain invested in the Employer (Solutia) Stock Fund. If you choose to keep any portion of your Solutia Company Match Account in the Employer (Solutia) Stock Fund, your account will be credited with dividends. You may elect to have all or part of your Solutia Company Match Account transferred to the Fixed Income, Balanced or Equity Funds in accordance with your election.

After the month in which you elect deferral (or are placed in deferral status), you may transfer amounts in your Solutia Company Match Account among the Fixed Income, Balanced, Equity and Employer (Solutia) Stock Funds once per month. To transfer amounts in your Solutia Company Match Account, call the Benefits Line and request a Solutia Company Match Stock Transfer. You will need to call the Benefits Line by 3 p.m. Central time on the last business day of the month for your election to be in effect as of the last day of the month. To make a Solutia Company Match Stock Transfer Election, you will need to speak to a Benefits Center Representative. You will receive a confirmation of your Solutia Company Match Stock Transfer Election.

If you elect to transfer a portion of your Solutia Company Match Account out of the Employer (Solutia) Stock Fund, you will have two options — a Minimum Price Election or a Market Price Election. With both elections, you will need to specify, in 5% increments (up to 100%), the percentage of your Solutia Company Match Account you want to transfer out of the Employer (Solutia) Stock Fund.

If you make a Minimum Price Election, you will need to specify a minimum value that the stock must equal or exceed, at the end of the month, before the transfer will take place. Each Minimum Price Election will be first recorded during the month in which it is timely submitted and may be executed on the earliest of the last trading day of that month or the last trading day of the two following months, depending on your minimum acceptable transfer price.

If you make a Market Price Election, the transfer will take place on the last trading day of the month during which the transfer election is timely submitted, regardless of the value of the stock on that date.

If you have both Regular SIP and RIDA Company Match Employer (Solutia) Stock Fund accounts, the transfer percentage you choose will be applied to both accounts to arrive at the total transfer.